

Message Text

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ORIGIN EB-07

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-06 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EFIN, ETRD, PFOR, UNCTAD, CIEC, US, IN

SUBJECT: MULTILATERAL ECONOMIC ISSUES-US-GOI DIALOGUE

REF: NEW DELHI 11266, STATE 189629

1. J.N. DIXIT, MINISTER (COMMERCE AND SUPPLY) OF INDIAN EMBASSY MET WITH PAUL BOEKER, DEPUTY ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL FINANCE AND DEVELOPMENT ON AUGUST 11 TO DISCUSS CIEC AND UNCTAD.

2. DIXIT ASKED HOW WE SAW THINGS SHAPING UP IN CIEC AND SAID THAT HE WOULD BE GLAD TO CONVEY ANY MESSAGE TO NEW DELHI. BOEKER REPLIED THAT WE WERE SURPRISED BY THE GROUP OF 19 HARD LINE AT CIEC ON THE DEBT QUESTION, AND WE WONDER WHY THE GROUP OF 19 APPARENTLY PREFERRED
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AN IMPASSE AT THIS POINT RATHER THAN START WITH A MORE

NEUTRAL WORK PROGRAM. BOEKER EXPLAINED THAT CO-CHAIRMAN MACEACHEN OF CANADA, REPRESENTING THE CIEC INDUSTRIALIZED COUNTRIES, HAS RECEIVED DETAILED STATEMENTS FROM EACH OF THE GROUP OF 8 ON THE WORK PROGRAM AND HAS DEVELOPED A COMPROMISE WHICH HE HAS PRESENTED TO CO-CHAIRMAN PEREZ-GUERRERO OF VENEZUELA REPRESENTING THE GROUP OF 19. MACEACHEN IS TO MEET WITH PEREZ-GUERRERO AGAIN IN SEPTEMBER. MACEACHEN'S FORMULATION IS THAT

WHILE THERE SHOULD BE SOME AGREEMENT ON THE WORK PROGRAM, IT SHOULD NOT PREJUDICE THE NEGOTIATIONS AND THE PARTICIPANTS SHOULD COME FORWARD WITH CONCRETE PROPOSALS BY A CERTAIN DATE TO ENSURE FORWARD MOVEMENT. BOEKER SAID THAT SECRETARY KISSINGER HAS MADE CLEAR THAT THE U.S. WANTS THE DIALOGUE TO GO FORWARD WITHOUT DELAY IF AT ALL POSSIBLE.

3. DIXIT MENTIONED THAT THE OPEC COUNTRIES, PARTICULARLY IRAN AND ALGERIA, HAVE BEEN MORE OUTSPOKEN ON DEBT ISSUES THAN OTHERS AND WONDERED IF THE REASONS FOR THIS WERE TACTICAL. HE SPECULATED THAT PERHAPS THEY WISHED TO SHIFT ATTENTION AWAY FROM THE DISCUSSION OF THE IMPACT OF OIL PRICES. BOEKER AGREED THAT WAS VERY PLAUSIBLE AND NOTED THAT FURTHERMORE THE OPEC LENDERS ARE NOT AFFECTED BY THE BURDEN OF DEBT RESCHEDULING SINCE THEY ARE NEW LENDERS.

4. DIXIT ASKED WHAT WE THOUGHT WOULD BE THE FUTURE OF THE RAW MATERIALS COMMISSION IN CIEC, NOTING THAT THE CONFLICT OF INTERESTS IN THIS COMMISSION IS VERY INTENSE. BOEKER SAID THAT WE HAD BEEN CONCERNED THAT THIS COMMISSION MIGHT NOT HAVE A FULL ENOUGH WORK PROGRAM, ESPECIALLY SINCE THE DEVELOPING COUNTRIES BELIEVE THE MAJOR EMPHASIS ON COMMODITIES SHOULD BE IN UNCTAD RATHER THAN CIEC. THE U.S. DECIDED TO INTRODUCE INVESTMENT QUESTIONS IN THE RAW MATERIALS COMMISSION AND WE REFLOATED THE INTERNATIONAL RESOURCES BANK (IRB) PRO-

POSAL. THE U.S. DOES NOT VIEW THE UNCTAD VOTE ON IRB AS REJECTION BUT RATHER AN INDICATION MOST DEVELOPING LIMITED OFFICIAL USE

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COUNTRIES WANT TO KNOW MORE ABOUT THE PROPOSAL BEFORE THEY MAKE UP THEIR MIND. DIXIT MENTIONED THAT THE OAS IS DOING A STUDY OF THE IRB AND ASKED IF THE U.S. EXPECTED OTHER REGIONAL ORGANIZATIONS TO DO THE SAME. BOEKER SAID WE DO NOT PARTICULARLY SEE IRB BEING TAKEN UP IN OTHER REGIONAL ORGANIZATIONS AND WE WOULD NOT INITIATE SUCH ACTION BUT WOULD SUPPORT SUCH DISCUSSION IF DESIRED BY OTHERS.

5. THERE ENSUED A DETAILED DISCUSSION OF COMMODITY ISSUES WITH BOEKER EXPLAINING THAT THE U.S. WAS WILLING TO EXPLORE VARIOUS MARKET ARRANGEMENTS BUT THAT WE PREFERRED TO HANDLE COMMODITIES ON A CASE-BY-CASE BASIS. WE QUESTION THE PRIORITY GIVEN THE COMMON FUND PROPOSED BY G 19 AS OPPOSED TO OTHER REQUIREMENTS FOR DEVELOPMENT FINANCING, SUCH AS IDA REPLENISHMENT. IN RESPONSE TO DIXIT'S QUESTION, BOEKER EXPLAINED THE CONCEPTUAL DIFFERENCE BETWEEN THE U.S. IRB PROPOSAL AND THE COMMON

FUND. THE IRB WOULD BE A GUARANTEE MECHANISM TO FINANCE NEW INVESTMENT AND PRODUCTION WHILE THE COMMON FUND IS TO BE USED TO FINANCE RUBBER STOCKS. THE COMMON FUND WOULD ESTABLISH THE FUNDING NOW AND LEAVE THE QUESTION OF WHICH COMMODITIES FOR LATER. BUT THE U.S. CONGRESS WOULD INSIST ON KNOWING WHICH COMMODITIES WERE TO BE

AFFECTED AND HOW BEFORE AGREEING TO SUPPORT SUCH A FUND. THE U.S. ALSO ASSIGNS A LOW PRIORITY TO THE FUND BECAUSE WE BELIEVE THAT INDIVIDUAL BUFFER STOCKS COULD BE READILY FINANCED WHEN NEEDED.

6. DIXIT SAID THAT INDIA HAD NO RIGID STAND ON THE COMMODITIES ISSUE AND WAS FLEXIBLE. HE SAID THAT INDIAN EXPERTS FOUND INTERESTING VARIOUS STUDIES, SUCH AS ONE DONE BY THE BROOKINGS INSTITUTION, WHICH CONCLUDED THAT SINCE THE INDUSTRIALIZED COUNTRIES ARE RAW MATERIAL AND COMMODITY EXPORTERS THEY SHOULD ALSO HAVE AN INTEREST IN STABILIZING PRICES. HE SAID INDIA BELIEVED THERE WAS AN AREA FOR MUTUAL AGREEMENT. BOEKER SAID THAT WE AGREED.

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7. THE MEETING RETURNED TO A DISCUSSION OF DEBT ISSUES WITH BOEKER EXPLAINING THAT U.S. LEGISLATION WAS GETTING TIGHTER AND REDUCING THE ADMINISTRATION'S FLEXIBILITY IN RESCHEDULING OF DEBT. WE ARE CONCERNED ABOUT PROVOKING CONGRESS INTO FLATLY PROHIBITING DEBT RESCHEDULING. WE PREFER TO LOOK AT THE TOTAL NET FLOW SITUATION. POSSIBLY THE INDUSTRIALIZED COUNTRIES COULD MAKE AVAILABLE NEW INFLOWS ON BETTER TERMS. THIS IS ALSO DIFFICULT BUT IT MIGHT BE EASIER THAN DEBT RESCHEDULING. DIXIT AGREED THAT INDIA'S CONCERN WAS ITS OWN NET RESOURCES FLOW POSITION, NOT DEBT RESCHEDULING AS SUCH.

8. BOEKER CONCLUDED THE MEETING BY AGREEING THAT THE INTERESTS OF THE TWO SIDES DO COINCIDE IN MANY CASES. HE SAID THE U.S. IS READY TO CONSIDER VARIOUS POSSIBILI-

TIES IN THE CIEC BUT WANTS TO AVOID A POLITICAL RESULT
BAD FOR THE U.S. AND NOT REALLY BENEFICIAL TO THE
DEVELOPING COUNTRIES CONCERNED. ROBINSON

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